

House Education & the Workforce Committee

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BILL SUMMARY

Back to Work Incentive Act

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A key component of President Bush's economic stimulus package, the *Back to Work Incentive Act* creates personal reemployment accounts of up to \$3,000 to help unemployed Americans. Rep. Jon Porter (R-NV) will introduce the measure today. Back to Work accounts offer a new, innovative approach designed to provide unemployed Americans additional flexibility, greater choice, and more control over their employment search, as well as a reemployment bonus for those who find a job quickly.

With the funds from these accounts, unemployed workers may purchase a variety of employment-related services (such as training, child care, transportation, career counseling, relocation services, and case management) to help them reenter the workforce. The accounts will be administered through the easily accessible One Stop Career Center system, where the unemployed already seek assistance.

A key component of the plan is that if workers become reemployed within 13 weeks, recipients may keep the balance of the account as a cash reemployment bonus. This creates an added incentive for recipients to get off unemployment benefits and return to work. The more quickly a job is obtained, the larger the reemployment bonus will be. **Back to Work accounts will allow states to serve at least 1.2 million Americans who are most likely to face obstacles in finding and keeping new employment.** Following is a cursory summary of how the program works.

States and individuals will have the flexibility to implement the program.

- States will determine the level of the personal reemployment accounts, up to \$3,000.
- The minimum requirements are that an individual must be receiving unemployment compensation, be identified by the state as likely to exhaust his or her unemployment benefits, and be eligible for at least 20 weeks for unemployment compensation.
- An individual can only be eligible once, and the bill clarifies that there is no individual entitlement to a Back to Work account.
- Prior to receipt of an account, the One Stop Career Center system must inform the eligible individual of the requirements and limitations on using the funds.
- Each eligible individual may develop a personal reemployment plan that will identify the employment goals and appropriate services selected by the individual to achieve the employment goal.

The funds from Back to Work accounts may be used to purchase a variety of services to help unemployed Americans reenter the workforce, but safeguards will ensure program integrity.

- A recipient of a personal reemployment account may purchase intensive (such as employment counseling and case management), training, or supportive (such as child care, transportation, and housing assistance) services.
- Subject to state safeguards, recipients may use funds to purchase services through the One Stop Career Center system on a fee-for services basis or through other providers.

- The One Stop Career Center may pay for the costs of the services directly on behalf of recipients, through a voucher system, or by reimbursement to the individual with appropriate cost documentation.
- A state may also allow individuals who have exhausted unemployment compensation benefits before being determined eligible for an account to withdraw funds for income support if engaged in job search, intensive services, or training expected to lead to employment.
- These accounts may be used for up to one year from the date of the account's establishment.
- For the one-year period following the establishment of the account, recipients may not receive intensive, supportive, or training services through the One Stop Career Center, unless purchased using account funds.

If an individual becomes employed by the 13th week for which unemployment compensation is paid, the balance of the account will be paid to the recipient as a cash reemployment bonus.

- Sixty percent of the remaining balance is paid at the time of employment and 40 percent is paid after six months job retention.
- Within the year that the account is in effect, if an individual becomes unemployed again before six months at no fault of his or her own, the individual may use the remainder of the account for eligible services. However, the individual is not eligible for additional cash payments.

Back to Work accounts will be efficiently administered through the easily accessible One Stop Career Center system, established through the federal Workforce Investment Act (WIA), where the unemployed already seek assistance in obtaining employment.

- In order to be consistent with other programs administered through WIA, the bill includes language integrating the administration of the personal reemployment accounts into the one stop delivery system overseen by the local workforce investment board and the local chief elected official.
- This plan will allow these One Stop Career Centers to offer another important benefit to the unemployed, in addition to the array of employment services these centers already provide.

A small part of President Bush's larger \$670 billion economic stimulus proposal, the Back to Work Incentive Act authorizes \$3.6 billion to establish personal re-employment accounts.

- Back to Work accounts may be established for up to two years from the date of enactment, and funds may be expended for up to three years.
- Funds will be distributed on a percentage basis, according to the number of unemployed persons in each state.
- States may reserve up to two percent of the funds to implement the program.